



CITY COUNCIL REPORT

DATE: January 2, 2013

TO: Brian Kischnick, City Manager

FROM: Peggy Sears, Human Resources Director

SUBJECT: Agenda Item – Dental Insurance Provider

The City currently provides dental insurance coverage through Sun Life on a self-insured basis. In November, 2012, city administration requested our insurance consultant, Gallagher Benefit Services, Inc., to estimate dental insurance rates for the 2013 coverage year. Gallagher found that Sun Life was projecting a 7.3% increase. Sun Life further indicated that at some point during 2013 the network of providers would be changing which would significantly reduce the number of in-network providers to whom employees currently have access. In light of this, Gallagher was asked to request quotes, including multiple year rate guarantees, from other providers in the marketplace. The following discussion summarizes the results of that process.

Gallagher Benefit Services, Inc. requested quotes from six nationally recognized dental insurance providers. These providers included Blue Cross Blue Shield, Delta Dental, ADN, MetLife, Aetna and Reliance Standard. Quotes for a fully insured plan were provided by five carriers (Aetna declined to quote); Delta and MetLife declined to provide a self-funded quote. The quotes were as follows:

Fully Insured:

<u>Carrier</u>	<u>Rate Guarantee</u>	<u>2013 Annual Cost</u>	<u>2014 Annual Cost</u>	<u>2015 Annual Cost</u>
Delta ⁽¹⁾	1 year	\$338,960	2 nd year cap at 5.5%	
Delta ⁽¹⁾	2 year	\$346,082	\$346,082	3 rd year cap at 5%
⁽¹⁾ Plus \$6,500 premium credit in 2013 and 2014				
BCBSM ⁽²⁾	2 year	\$334,044	\$334,044	3 rd year cap at 6.75%
⁽²⁾ Plus reduced Admin Fee for Medical by \$3.37 per employee per month (pepm) for annual savings of \$13,300 per year for next 3 years				
ADN	1 year	\$356,653		
MetLife	2 year	\$341,458	\$341,458	
Aetna	Declined			

Self Insured:

<u>Carrier</u>	<u>Admin Fee</u>	<u>Rate Guarantee</u>	<u>2013 Annual Cost</u>	<u>2014 Annual Cost</u>	<u>2015 Annual Cost</u>
BCBSM ⁽³⁾	2013 - \$3.99 pepm 2014 - \$4.15 2015 - \$4.32	3 year	\$330,170	\$330,170	\$330,170
⁽³⁾ Plus reduced Admin Fee for Medical by \$3.37 per employee per month (pepm) for annual savings of \$13,300 per year for next 3 years					
ADN	\$5.10 pepm	3 year	\$345,265	\$345,265	\$345,265
Reliance	\$3.60 pepm	2 year	\$344,541	\$344,541	
Aetna	Declined				
Delta Dental	Declined				
MetLife	Declined				
Sun Life (current provider)	\$3.25 pepm		\$345,921		

Projected annual costs are based on administrative fees, projected claims based on current claims experience, network discounts and trends provided by each carrier, and current number of employees.

A self insurance program has both advantages and disadvantages. Advantages to a self insured program are: 1) there is no premium (the cost is for claims in addition to an administrative fee per covered employee); payments are based only on our employees' claims experience and not on a wider pool of other insured persons; and the City retains any savings. The disadvantages are that the City assumes the risk of dental claims, and claims are somewhat unpredictable, adding more fluctuation to cash flow.

After reviewing past years' claims experience and conducting a network disruption analysis, Gallagher recommended the self insured BCBSM program which was presented to the Employee Insurance Benefits Committee for review. (As you may be aware, this committee was created several years ago for the purpose of: developing a common insurance benefits platform for all full-time employees; evaluating insurance carriers and ways to reduce costs; and providing an open forum to exchange ideas with regard to insurance benefit information. It consists of a representative from each bargaining unit and the Classified and Exempt employee groups.) The consensus of the Committee was that the BCBSM Self Insured dental program was preferred.

City Administration concurs with Gallagher's recommendation to move dental coverage to BCBSM on a self funded basis for the following reasons:

- Increased dental network coverage with no loss in current provider access (By having more providers, more discounts can be utilized by employees, and paid claims could be reduced, resulting in lower costs to the City and cost savings to the employees)
- Three year rate guarantee
- Projected first year Dental savings of \$15,700
- Projected Medical Admin Fee savings of \$13,000 per year for next three years
- Ease of administration with consolidation of carriers (BCBS is currently one of our medical insurance providers)
- No balance billing

BCBSM coverage would effectuate on March 1, 2013, with the current provider (Sun Life) agreeing to hold their 2012 rates through February, 2013.